

TEACHERS' RETIREMENT BOARD  
INVESTMENT COMMITTEE

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SUBJECT: Approval of Minutes of  
April 1, 1998, Investment  
Committee, Open Session

ITEM NUMBER 3

ATTACHMENT(S) 1

ACTION: X

DATE OF MEETING: May 6, 1998

INFORMATION:

PRESENTERS: Chairperson

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Proposed minutes of the Investment Committee Meeting held in open session April 1, 1998 are submitted on the following pages.

**PROPOSED  
MINUTES OF THE  
INVESTMENT COMMITTEE MEETING  
OF THE  
STATE TEACHERS' RETIREMENT SYSTEM  
APRIL 1, 1998  
OPEN SESSION  
ROBYN D. MILLER BOARD ROOM  
7667 FOLSOM BOULEVARD  
SACRAMENTO, CALIFORNIA**

**COMMITTEE MEMBERS PRESENT**

Gary Lynes, Chairperson  
Yvonne Gallegos Bodle  
George Fenimore  
Marty Mathiesen  
Michael Mayer  
Emma Zink  
Fred Buenrostro, representing State Controller  
Kathleen Connell  
Richard Whitmore, representing Superintendent  
of Public Instruction, Delaine Eastin  
Christine Drevalas, representing State Treasurer  
Matthew Fong  
Robin Dezember, representing State Director  
of Finance, Craig Brown

**ALSO PRESENT**

James Mosman, Chief Executive Officer  
Patrick Mitchell, Chief Investment Officer  
Elleen Okada, Director, Investment Admin. And External Relations  
Ian Lanoff, Fiduciary Counsel  
Chris Waddell, Chief Counsel  
Doug Wills, Staff Counsel  
Jennifer DuCray-Morrill, DCEO, Gov. Affairs & Program Development  
Mitch Pleis, Director of Real Estate  
Real Desrochers, Director of Alternative Investments  
Richard Rose, Investment Officer  
Allan Emkin, Pension Consulting Alliance  
Nori Gerardo Lietz, Pension Consulting Alliance  
Terri Sander, Pension Consulting Alliance  
Doug Le Bon, Pathway Capital Management  
Al Clerc, Pathway Capital Management  
Christopher Reilly, Bank of Ireland  
Barton Biggs, Morgan Stanley Asset Management  
Arthur Laffer, Laffer & Associates  
Dorothy Moser, United Teachers of Los Angeles, Retired  
Mary Ann Avansino, Executive Assistant

A quorum being present, Chairperson Lynes called the open session meeting to order at 9:35 a.m.

I. **ANNOUNCEMENTS** (Item 2)

Chairperson Lynes announced that Item 9 would be taken following the Approval of Minutes.

II. APPROVAL OF MINUTES OF MARCH 4, 1998 INVESTMENT COMMITTEE, OPEN SESSION (Item 3)

MOTION duly made by Mr. Fenimore, seconded by Ms. Bodle and carried to approve the minutes of the March 4, 1998 Investment Committee, Open Session as presented.

Mr. Buenrostro arrived at the meeting at 9:38 a.m.

III. EQUITY - STRUCTURE OF NON- U.S. EQUITY (Item 9)

Mr. Mitchell introduced the panel, Mr. Reilly, Mr. Biggs and Dr. Laffer. The panel discussed global markets, global equity, inflation, disinflation, and deflation. The panel discussion was part three of a three part educational series on non-U.S. equity.

IV. SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING 12/31/97 (Item 4)

Mr. Emkin presented a written and oral performance report for the period ending 12/31/97. Discussion ensued.

MOTION duly made by Mr. Mathiesen, seconded by Mr. Fenimore and carried to adopt a resolution to accept the semi-annual report submitted by Pension Consulting Alliance as presented.

V. SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING 12/31/97 (Item 5)

Mr. Le Bon presented a written and oral performance report for the period ending 12/31/97. Discussion ensued.

MOTION duly made by Mr. Fenimore, seconded by Ms. Zink and carried to adopt a resolution to accept the semi-annual report submitted by Pathway Capital Management as presented.

VI. SEMI-ANNUAL PERFORMANCE REPORT FOR PERIOD ENDING 12/31/97 (Item 6)

Ms. Gerardo Lietz and Ms. Sander presented a written and oral performance report prepared by Pension Consulting Alliance/E&Y Kenneth Leventhal for the period ending 12/31/97. Discussion ensued.

MOTION duly made by Mr. Fenimore, seconded by Ms. Bodle and carried to adopt a resolution to accept the semi-annual report submitted by Pension Consulting Alliance/E&Y Kenneth Leventhal.

Chairperson Lynes recessed the meeting at 12:10 p.m.

The meeting reconvened at 1:05 p.m.

VII. **REAL ESTATE - ROLE OF REAL ESTATE** (Item 7)

Mr. Pleis and Ms. Gerardo Lietz presented an overview of the role of real estate as an investment sector, analysis of different risk/return profiles, a peer group comparison of varied real estate strategies and a review of the STRS' portfolio risk/return profile. Discussion ensued.

MOTION duly made by Mr. Buenrostro, seconded by Mr. Whitmore and carried to adopt Staff and Consultant recommendation that the primary role of real estate within the STRS portfolio is to provide diversification. The secondary role will emphasize yield enhancement. Ms. Bodle voted no.

MOTION duly made by Mr. Mathiesen, seconded by Mr. Fenimore and carried to approve the risk/return profile for STRS' composite real estate portfolio to include 75% low to moderate risk assets and 25% moderate to high risk assets as recommended by Staff and Consultant. Ms. Bodle abstained.

Chairperson Lynes recessed the meeting at 3:35 p.m.  
The meeting reconvened at 4:45 p.m.

VIII. **LEGISLATION**(Item 15)

Ms. DuCray-Morrill presented analysis of SB-1945 (Karnette) which allows change to 100% financing for the member home loan program. Discussion ensued.

MOTION duly made by Mr. Whitmore, seconded by Mr. Mathiesen and carried to adopt a support position and co-sponsor SB-1945 as recommended by Staff. Mr. Dezember abstained.

IX. **ACTIVITY STATUS REPORT - CREDIT ENHANCEMENT PROGRAM** (Item 10)

Mr. Rose presented the written report and updates. He stated that counsel had been selected to prepare the outside legal opinion on school bond enhancement.

X. **REAL ESTATE - ACTIVITY STATUS REPORT** (Item 11)

Mr. Pleis presented the written report.

XI. **ACTIVITY STATUS REPORT - ALTERNATIVE INVESTMENTS** (Item 12)

Mr. Desrochers presented the written report.

XII. **QUARTERLY LITIGATION REPORT** (Item 13)

Mr. Waddell presented the written report.

- XIII. **REPORT OF THE CHIEF INVESTMENT OFFICER** (Item 14)  
Mr. Mitchell presented the written report and presented updates. He reported that today was the first day of internal management of a \$1 billion indexed equity portfolio and that an oral report for the month of April would be given at the May meeting.
- XIV. **OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC** (Item 15)  
There were no statements from the public.
- XV. **MOVE TO CLOSED SESSION**  
Chairperson Lynes moved the meeting directly to closed session at 4:15 p.m.
- XVI. **ADJOURNMENT**  
Chairperson Lynes announced that while in closed session, the Committee discussed matters pertaining to litigation and investment decisions. There being no further business to conduct, Chairperson Lynes adjourned the meeting at 7:25 p.m.

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James D. Mosman, Chief Executive Officer and  
Secretary to the Teachers' Retirement Board

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Gary Lynes, Chairperson